



OSWER Innovations Pilot

Financial Performance Benchmark for Recycling Businesses

The Office of Solid Waste and Emergency Response (OSWER) initiated a series of innovative pilots to test new ideas and strategies for environmental and public health protection to make OSWER programs more efficient, effective, and user-friendly. A small amount of money is set aside to fund creative proposals. The creative projects test approaches to waste minimization, energy recovery, recycling, land revitalization, and homeland security that may be replicated across various sectors, industries, communities, and regions. We hope these pilots will pave the way for programmatic and policy recommendations by demonstrating the environmental and economic benefits of creative, innovative approaches to the difficult environmental challenges we face today.

BACKGROUND

In June, 2002, the Minnesota Office of Environmental Assistance conducted assessments of six recycling companies in the state. The assessment examined the companies' goals, markets, potential markets, operations, and finances. Participation was voluntary and the assessments were designed to provide the companies with useful information for improving operations and planning for the future. A major finding from this study was the need to have a national benchmark for recycling companies' financial information. Without this measurement, companies are left with no standard by which to compare their performance and determine where improvements may be needed. In addition, investors typically compare a company's financial data to an industry-specific financial performance standard for risk management purposes. The lack of financial performance standards for recycling companies can be a barrier for expansion or improvement when investors are forced to compare them to standards set for other industrial sectors.

PILOT APPROACH

U.S. EPA Region 5, in partnership with the states of Illinois, Minnesota, and North Carolina, and the Minnesota Bankers Association and AMPros Corporation, will solicit the participation of approximately 50 companies from the upper midwest in

a study of recycling company financial performance. (Participants will be assured full confidentiality.) Financial data will be consolidated in a custom database and statistically analyzed to compute benchmark information by firm type. The Minnesota Bankers Association will help the project partners understand how bankers and financial institutions will use the information from the project and notify its members when the benchmark is available. The benchmark also will be distributed through recycling and banking associations and made available on EPA's Jobs Through Recycling Program and participating state websites.

INNOVATION

Recycling companies may be passed over for investment because of the belief that recycling is not cost effective even though many recycling companies are flourishing. This pilot uses an innovative approach to eliminate investment barriers that recycling companies often face. With accurate financial performance information readily available, lending institutions and government funding agencies can make informed decisions about recycling investments. In addition, this pilot uses an innovative approach to support recycling companies by providing them with financial performance information not previously available.

BENEFITS

Over one million recycling and reuse businesses employ over 56,000 workers and earn over \$236 billion annually in the United States. Developing a benchmark for these companies will provide a financial risk management tool for public funding authorities and private sector investors. Recycling companies will have access to standardized data with which to guide pricing, cost analyses, and business planning. Development of a financial benchmark will be an important step in achieving EPA's Resource Conservation Challenge goal of a 35% national recycling rate by 2005.

CONTACTS

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For additional information, visit the EPA OSWER Innovations web site at: www.epa.gov/oswer/IWG.htm.